

ANNUAL PAYMENT AND REPORTING PROCEDURES **FOR OIL AND GAS**

GENERAL

With written approval from the General Land Office (GLO), some future production reporting and royalty payments may be paid or reported on an annual, rather than monthly, basis. This procedure will apply to **leases** for which annual oil, condensate, and gas royalty due is \$3,000 or less. Royalties attributable to oil, condensate, and gas for the production period September 1 through August 31 will be used to determine whether the lease meets the \$3,000 threshold. The production period September 1 through August 31 will only be used as a basis for initial qualification for the program. The annual payment/reporting period will be on a calendar year basis (January through December production). Upon approval by the GLO, a party who is both a payor and a reporter for a lease will be required to **both** report and **pay** royalties on an annual basis.

ANNUAL ROYALTY PAYMENTS

- (1) The applicant shall designate the payor who will submit the annual royalty payments. If there are multiple payors for a lease, the applicant shall also designate the share of royalty each designated payor will submit. When the application is approved, GLO staff will assign an annual submission certification number to the designated payor, and authorize the designated payor to submit the designated share of royalty payments on an annual basis. The applicant shall notify the GLO in writing of any change in the payor designation within ten (10) business days of its effective date.
- (2) Following approval of annual royalty payment,
 - (a) Payors shall pay annual royalties beginning the following January 1 to December 31 annual production period.
 - (b) Payors shall continue to submit payments on a monthly basis until the commencement of the next annual production period.
 - (c) Annual royalty payments for qualifying leases and normal monthly royalty payments for other leases may not be combined in the same check and on the same GLO-3 (payment document).
- (3) Annual oil and condensate royalties for the preceding calendar year are due on or before February 5. Annual gas royalties for the preceding calendar year are due on or before February 15. Late annual payments are subject to the same penalties and interest rates as monthly payments. **Only paper reports are allowed for annual reporters.**
- (4) If the total annual oil, condensate, and gas royalty due under a lease exceeds \$3,000 for any calendar year, payors shall resume submitting monthly royalty payments starting with January production.
- (5) Total royalties that have accrued as of the date of a complete lease forfeiture, release, termination, assignment, or any change of designated payor, are due in the GLO no later than 75 calendar days after that date. If a change of payor occurs for a lease with multiple payors, only the changing payor shall pay the accrued royalties for which they are designated no later than 75 calendar days after the change.

- (6) Any forfeiture, release, termination, assignment, or change of operator or payor does not affect the approved annual royalty payment status, except as described in paragraph (5), above. **However, an assignee or successor in interest is liable for all unsatisfied royalty requirements of the assignor or predecessor in interest.**
- (7) The GLO has the sole discretion to approve annual royalty payments. Approval does not affect the state's right to take its royalty in-kind, nor does it constitute a finding that a lease has been maintained in force and effect or otherwise ratify or revive any lease. GLO approval does not abrogate the lessee's responsibility to submit timely royalty payments and reports to the GLO.
- (8) Determination of royalty due for purposes of these procedures is not an official GLO determination of royalty due under a lease. The GLO may audit any lease to determine whether royalty was properly paid, and may pursue its rights and remedies through administrative procedures or litigation.
- (9) **Payors shall attach a copy of the annual certification to all annual royalty payments. Annual royalty payments will be considered delinquent without this information, and are subject to the delinquency provisions of the GLO rules.**

ANNUAL ROYALTY REPORTS

- (1) The applicant shall designate the reporter who will submit the annual production reports. If there are multiple reporters for a lease, the applicant designates the information each reporter will submit. When the application is approved, GLO staff will assign an annual submission certification number to the designated reporter, and authorize the designated reporter to submit the designated reports on an annual basis. **The applicant shall notify the GLO in writing of any change in the reporter designation within ten (10) business days of its effective date.**
- (2) Following approval of annual royalty reports,
 - (a) Reporters shall submit annual reports for the following January 1 to December 31 annual production periods.
 - (b) Reporters shall continue to submit reports on a monthly basis until the commencement of the next annual production period. **Unless the GLO expressly approves otherwise in writing, reporters shall submit unit production/royalty reports on a monthly basis regardless of the annual reporting status of individual leases within the unit.**
- (3) Annual oil and condensate reports for the preceding calendar year are due on or before February 5. Annual gas reports for the preceding calendar year are due on or before February 15. Late annual reports are subject to the same penalties as monthly reports. **Only paper reports will be allowed**
- (4) If the total annual oil, condensate, and gas royalty due under a lease exceeds \$3,000 for any calendar year, reporters shall resume submitting monthly reports starting with January production.
- (5) Reporters shall ensure that all reports approved by the GLO for submission on an annual basis are received by the GLO no later than 75 calendar days after a complete lease forfeiture, release, termination, assignment, or any change of designated reporter. If a change of reporter occurs for a lease with multiple reporters, only the changing reporter shall submit the reports for which they are designated on or before 75 calendar days after the change.
- (6) Any forfeiture, release, termination, assignment, or change of operator or reporter does not affect the approved annual reporting status, except as described in paragraph (5), above. **However, an assignee or successor in interest is liable for all unsatisfied reporting requirements of the assignor or predecessor in interest.**
- (7) The GLO has the sole discretion to approve annual reporting. Approval does not affect the state's right to take its royalty in-kind, nor does it constitute a finding that a lease has been maintained in force and effect or otherwise ratify or revive any lease. GLO approval does not abrogate the lessee's responsibility to submit timely royalty payments and reports to the GLO.
- (8) Reporters shall attach a copy of the annual certification to all annual royalty reports. Annual royalty reports will be considered delinquent without this information, and are subject to the delinquency provisions of the GLO rules. Electronic reporters shall submit copies of the annual certification within five (5) days of submitting annual electronic reports.

CERTIFICATION PROCESS

The certification process for both annual reporting and payments of royalties may be a onetime process, consisting of a 5-digit number*. As long as the lease continues to accrue an annual royalty obligation of \$3,000 or less, annual re-certification is not required.

The certification to participate in the program must be requested on the form designated by the GLO. Once the request is received, we will review the lease payment history to see if it qualifies for the program. If the lease qualifies, the certification request will be returned to the applicant with a certification number. **A copy of the approved certification must be included with any GLO-1, GLO-2 and GLO-3 documents submitted annually.**

*5 digits; 2 numeric, 3 alpha i.e., 12ABC

Annual Royalty Reporting/Payment Certification Request

BAN Number:				
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Reporting Company or Payor Name:	
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Reporting Company or Payor Tax ID:										
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Operator Name:		State Lease Number:	MF					
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Prepared By		Field Name:	
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Phone Number:										Lease Name:	
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E-Mail Address		County Name:	
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